

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 FEA-01 TRSY-02 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 FRB-03 PA-01

PRS-01 USIA-06 NEA-09 /109 W
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R 221859Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7521

INFO AMEMBASSY CARACAS

AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: ENRG, NL, UK

SUBJECT: ARAB OIL FOR BRITISH OIL?

REF: THE HAGUE 223 (NOTAL)

1. FCO AND DEPARTMENT OF ENERGY SOURCES HAVE CONSISTENTLY DENIED THAT HMG IS GIVING SERIOUS CONSIDERATION TO POSSIBLE FUTURE SWAP OF NORTH SEA OIL AGAINST CURRENT DELIVERY OF MIDDLE EAST OR OTHER CRUDE. BRITISH HAVE RECEIVED PROPOSALS FROM VARIOUS MIDDLEMEN PURPORTING TO REPRESENT ARAB PRODUCER STATES (SAUDI ARABIA AND KUWAIT BEING MOST FREQUENTLY MENTIONED) BUT HMG OFFICIALS BELIEVE THERE IS LITTLE REAL INDUCEMENT FOR ANY PRODUCER STATE TO OFFER BRITAIN SUFFICIENTLY ATTRACTIVE TERMS IN WAY OF PRICING FORMULA, INTEREST RATES, ETC. THEY HAVE YET TO DISCOVER PRODUCER STATE WHICH IS SO ABSOLUTELY CONVINCED OIL PRICES WILL FALL OVER LONGER TERM THAT IT IS WILLING TO OFFER MORE THAN NORMAL COMMERCIAL TERMS.

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2. ONLY COUNTRY WHICH THUS FAR HAS BROACHED POSSIBILITY OF SWAP DEAL DIRECTLY AT GOVERNMENTAL LEVEL IS VENEZUELA. DURING VISITS OF FCO MINISTER OF STATE DAVID ENNALS AND SECSTATE FOR TRADE PETER SHORE IN AUGUST-SEPTEMBER 1974, VENEZUELANS SPOKE IN VAGUE TERMS ABOUT SMALL QUANTITY SWAP DEAL WHICH NEITHER THEY NOR BRITISH EVER FOLLOWED UP.

3. COMMENT: SUPERFICIAL APPEAL OF THIS VARIANT OF A NORMAL BILATERAL DEAL IS CONSIDERABLE. BUT QUANTITIES INVOLVED AND TANGIBLE BENEFITS ACCRUING TO UK WOULD HAVE TO BE VERY SUBSTANTIAL BEFORE BRITISH WOULD BE TEMPTED. IN ANY EVENT, WE ARE CONFIDENT US WOULD RECEIVE ADVANCE NOTICE WHEN, AS AND IF HMG WERE SERIOUSLY TO CONSIDER ENERTING INTO SUCH AN AGREEMENT WHICH COULD BE VIEWED AS IN CONTRAVENTION OF ITS COMMITMENT TO PURSUE MULTILATERAL COOPERATIVE APPROACH IN IEA.

SPIERS

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Message Attributes

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